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THE EFFECT OF FINANCIAL RATIOS ON FINANCIAL DISTRESS IN THE PROPERTY, REAL ESTATE AND BUILDING CONSTRUCTION SECTOR AT THE IDX IN 2019-2023

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ABSTRACT

The study explores the determinants of financial distress, defined as a company's incapacity to meet its obligations and considered an early warning of bankruptcy. It specifically analyzes the impact of profitability (ROA), liquidity, leverage, activity, and sales growth ratios on financial distress. The goal is to provide companies, investors, and creditors with a basis for considering these ratios as critical information when assessing a company's susceptibility to financial distress. As a quantitative study, the research sample includes 10 companies from the Property, Real Estate, and Construction Sectors that were part of the LQ45 index on the BEI between 2019 and 2023, selected through the purposive sampling method. The results of the hypothesis testing are as follows: H1, postulating a negative effect of profitability on financial distress, is rejected. H2, postulating a negative effect of liquidity on financial distress, is rejected. H3, which stated that leverage has a positive effect on financial distress, is rejected. Conversely, H4, positing a negative effect of sales growth on financial distress, is accepted. Furthermore, H5, which stated that company size has a negative effect on financial distress, is accepted.

Keywords: ***Property Company; Financial Ratios; Financial Distress***

INTRODUCTION

Indonesia's economic landscape heavily depends on the robust performance of land development, building infrastructure, and property investment industries. In addition to contributing significantly to Gross Domestic Product (GDP), these sectors are also key drivers of job creation, particularly in urban areas. However, with the dynamic development of the global economy, these sectors face various challenges, such as risks related to economic and financial instability. One common risk is financial distress, which can threaten a company's long-term viability if not properly managed (Febinda et al., 2023).

Economic hardship emerges when an organization struggles to fulfill its monetary commitments and faces potential fiscal instability. If this condition is not promptly addressed, it can lead to bankruptcy. Skilled financial analysts can identify potential economic vulnerabilities in an organization by meticulously examining numerical indicators within their fiscal documentation. Therefore, it is crucial for companies in the property, real estate, and construction sectors to monitor and manage financial ratios, such as profitability, liquidity, leverage, activity, and sales growth, which can provide early indications of the company's financial condition.

The property sector plays a pivotal role in Indonesia's economic framework, acting as a significant catalyst for nationwide economic growth and job creation (Zhao & Ai, 2020). The industry's financial health is intricately tied to capital injections and consumer appetite, with its trajectory significantly shaped by broader economic indicators like price fluctuations, borrowing costs, and regulatory frameworks. Furthermore, Rahmat et al. (2023) also noted that building and infrastructure development substantially contributes to Indonesia's economic framework and national growth potential, despite facing challenges related to tax optimization and environmental risks.

However, recent worldwide economic challenges and the global health crisis have significantly disrupted Indonesia's real estate and property market dynamics. As a result of the global health crisis, consumer spending significantly dropped, impacting various sectors such as real estate and causing substantial interruptions in the procurement and distribution of construction-related resources. According to Kosiah et al. (2018), investment in the property sector in Indonesia plays a significant role in expanding employment opportunities and increasing GDP, but the global crisis can significantly impact the sector's growth. Therefore, gaining comprehensive insight into the underlying

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drivers that potentially precipitate economic challenges within specific industry segments is crucial.

Analysts can anticipate a business's potential economic challenges by examining numerical relationships derived from their accounting documents. Evaluating metrics such as earning capacity, cash flow stability, debt structure, operational efficiency, and revenue expansion helps professionals gauge an organization's overall financial health. In his research, Almeida (2024) revealed that financial ratio analysis is crucial in assessing a company's financial health, particularly in sectors vulnerable to economic fluctuations such as real estate. Therefore, the research seeks to investigate how specific monetary indicators potentially impact the likelihood of financial instability within property, real estate, and construction enterprises that are publicly traded on Indonesia's primary stock market platform.

The Indonesian property and real estate sector also faces its own challenges, particularly during the Covid-19 pandemic. Almeida (2024) noted that the global crisis triggered by the pandemic had a significant impact on the real estate sector, both in terms of demand and declining property prices. Meanwhile, Yunia et al. (2024) in their research compared the financial performance of sectors affected by the pandemic and found a significant decline in the performance of the property and real estate sectors. Therefore, this study also aims to understand how financial ratios can play a role in identifying companies facing the risk of financial distress during this period of uncertainty.

Despite extensive research investigating the correlation between fiscal performance indicators and corporate financial vulnerability, existing scholarly works reveal considerable inconsistency in their findings. For example, Zhang et al. (2012), in their investigative work exploring the intricate connections between property market investments and national economic expansion within the Chinese context, suggested that the financial distress model used in the property sector can differ across countries, depending on market conditions and existing economic policies. Therefore, it is important to delve deeper into the factors influencing financial distress in the Indonesian property sector, particularly in the 2019-2023 period.

Furthermore, several studies have shown that financial ratios such as Return on Assets (ROA), Current Ratio (CR), Debt to Equity Ratio (DER), and Total Assets Turnover (TATO) can provide insight into a company's financial health. Research by Lestari & Erdiana (2024) compared levels of financial distress in the property and construction sub-sectors and found that financial ratios play a significant role in predicting financial distress in both sectors.

Within the Indonesian economic landscape, examining these monetary indicators becomes essential, given the profound impact of both local and international market forces on the country's property and real estate industry. For example, a report published by Becik et al. (2023) shows that the dimensions of an organization's scale, earnings potential, and investment requirements substantially impact tax optimization strategies and the likelihood of fiscal challenges for publicly traded entities within Indonesia's primary securities marketplace. Consequently, the study seeks to explore how various financial indicators potentially correlate with and predict the likelihood of economic vulnerability within Indonesian business entities over a predetermined quinquennial period.

This research aims to deepen academic understanding by investigating financial performance metrics and potential economic vulnerabilities within Indonesia's property development, real estate investment, and construction industry segments. Using regression analysis to explore the link between financial ratios and financial distress, this research provides insights into the determinants of corporate financial stability. The outcomes can guide investors, creditors, and firms in making informed investment decisions and implementing effective financial strategies.

Therefore, this study is expected to highlight the crucial factors that may help prevent or overcome financial distress in Indonesia’s property and real estate industry. Furthermore, it contributes to a more comprehensive understanding of the relationship between financial ratios and financial distress among companies listed on the IDX, while offering practical implications that can guide investors, regulators, and corporate managers in enhancing financial resilience.

RESEARCH METHOD

Research Object

This research examines firms in the property, real estate, and construction sectors listed on the Indonesia Stock Exchange (IDX) for the 2019–2023 period. These sectors are considered critical to Indonesia’s economic structure due to their substantial roles in GDP

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formation and job creation. The five-year observation period provides an extensive understanding of the financial dynamics of these companies and the relationship between financial ratios and financial distress. Focusing on this sector is important because the property, real estate, and construction sectors often face market uncertainty that impacts financial stability, so analysis of these companies provides valuable insights into assessing potential financial distress.

Research Design

This study employs a quantitative methodology, utilizing a select sample of ten firms functioning within the property, real estate, and construction industries and registered on the Indonesia Stock Exchange (IDX) spanning the years 2019 to 2023. The entities were chosen according to established criteria, specifically, businesses that published comprehensive and consistent financial reports throughout the duration of the investigation and preserved active trading status on the IDX. Purposive sampling was chosen because it allowed researchers to focus on companies relevant to the research objectives, thus providing more representative data for analyzing financial distress in the property, real estate, and construction sectors. Therefore, this study is expected to provide an accurate picture of the influence of financial ratios on financial distress in this sector, which significantly impacts the Indonesian economy.

Population and Sample

Throughout the research period spanning from 2019 to 2023, the investigative focus was directed toward businesses operating within Indonesia's property, real estate, and construction sectors that were publicly traded on the national stock exchange. The researchers employed a strategic sampling approach known as purposive sampling to carefully select their research subjects. After meticulously applying specific selection guidelines, the research team ultimately identified and included 10 distinct corporate entities in their analytical framework

Data Collection Technique

For gathering information, the research relied on documentary evidence. The investigative materials comprised pre-existing financial records sourced from annual statements of businesses operating in property, real estate, and construction sectors, which were selected as the investigative population. These supplementary research materials were extracted directly from the official digital platforms of Indonesia's primary stock market exchange and the respective corporate web portals of the organizations under examination.

Operational Definition of Variables

Financial Distress (Y)

When a business encounters severe economic challenges that prevent it from fulfilling its financial commitments, it may be experiencing a critical economic breakdown that potentially signals impending corporate failure. During our research, we evaluated the enterprise's likelihood of collapse by utilizing the Springate S-Score, a sophisticated analytical framework designed to assess a company's financial vulnerability. The mathematical computation for determining this risk assessment can be expressed through the following algorithmic representation:

S-Score = 1.03A + 3.07B + 0.66C + 0.4D

Where:

-A = working capital / total assets

-B = net profit before interest and taxes / total assets

-C = net profit before taxes / current liabilities

-D = sales / total assets

An S-Score <0.862 indicates a company experiencing financial distress, while an S-Score >0.862 indicates a company not experiencing financial distress.

Profitability (X1)

A corporation's financial success reflects its capacity to transform available assets and operational strengths into monetary gains. Within this research investigation, we utilize Return on Total Assets (ROA) as a metric to quantify the organization's earnings potential. The computation of ROA involves a specific mathematical approach that reveals the efficiency of resource utilization.

ROA = Net Profit / Total Assets

Liquidity (X2)

A financial metric that evaluates an organization's capacity to settle immediate financial obligations through readily available resources is known as liquidity. Within this research, we assess the company's short-term solvency by employing the quick ratio as our primary analytical tool. The computation of this specific liquidity indicator follows a predetermined mathematical equation:

QR = (Current Assets - Inventory) / Current Liabilities

Leverage (X3)

Corporate financial strategy examines how organizations rely on borrowed funds to support their balance sheet resources. Within this research, the financial burden is quantified through the proportion of total liabilities compared to shareholder investments. The calculation for determining this financial indicator involves a

specific mathematical relationship:
DER = Total Debt / Total Equity

Activity (X4)

The efficiency of a business in converting its resources into revenue can be measured through specific performance metrics. In this research, researchers are focusing on the Total Assets Turnover (TATO) as a key indicator of operational productivity. The mathematical representation of this metric follows a specific computational approach:
TATO = Sales / Total Assets

Sales Growth (X5)

The pace of a company's revenue expansion reveals its commercial performance trajectory from one annual period to another. Quantifying this organizational financial momentum involves utilizing a specific mathematical calculation method:
Sales Growth = (This Year's Sales - Last Year's Sales) / Last Year's Sales x 100%

Data Analysis Techniques

Researchers employed statistical modeling techniques to investigate how various financial indicators potentially predict economic vulnerability within property, real estate, and construction industries traded on Indonesia's primary stock market. Before initiating the computational analysis, the team rigorously evaluated the data's statistical integrity through comprehensive diagnostic screening, which assessed potential statistical anomalies and data distribution characteristics.

The regression model used in this study is as follows:

Financial Distress = α + β1 (Profitability) + β2 (Liquidity) + β3 (Leverage) + β4 (Activity) + β5 (Sales Growth) + ε

Where:

-α is a constant,

-β1, β2, β3, β4, β5 are the regression coefficients for each independent variable,

-ε is the error term.

This study employs regression analysis to evaluate the degree to which various financial metrics impact the financial instability of firms within the property, real estate, and construction industries listed on the Indonesia Stock Exchange.

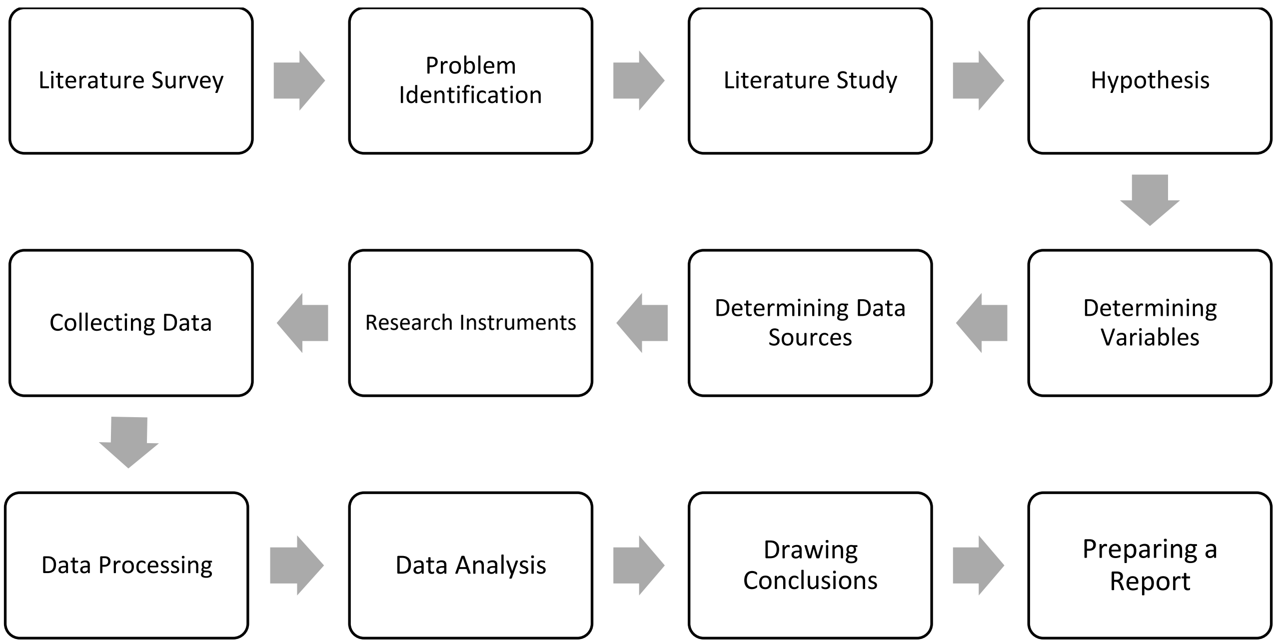

Figure 1. Research Stage Flowchart

RESULTS AND DISCUSSION

Regression Analysis and the Effect of Financial Ratios on Financial Distress

The research seeks to investigate how various financial indicators potentially predict economic vulnerability within property, real estate, and construction sectors across Indonesian publicly traded corporations during the five-year timeframe from 2019 to 2023. The investigative approach relies exclusively on pre-existing documentation extracted from comprehensive financial statements of organizations registered on the Indonesian Stock Exchange. Comprehensive corporate fiscal documents offer deep insights into an organization's monetary wellness, encompassing various analytical tools that reveal potential economic vulnerabilities and performance indicators. Researchers employed statistical modeling techniques to examine how different financial indicators potentially correlate with a company's risk of experiencing economic challenges. By utilizing advanced regression methods, the study aimed to uncover the complex relationships between various financial metrics and their combined effect on an organization's potential financial vulnerability. This analytical approach effectively quantifies the relative impact of individual factors in determining a corporation's potential financial vulnerability.

Prior to undertaking the regression analysis, diagnostic assessments addressing standard econometric assumptions are conducted. These assessments encompass evaluations of distribution, inter-predictor correlation, homogeneity of variance, and serial correlation (Christine et al., 2019). Diagnostic evaluations play a critical role in validating the credibility of statistical modeling outcomes, with potential inaccuracies arising from overlooked methodological constraints. The statistical distribution assessment investigates whether the unexplained variations in the model conform to expected probabilistic patterns, representing a fundamental criterion for drawing reliable scientific conclusions. Investigating potential inter-predictor relationships helps researchers identify potential statistical interference, where excessive interconnectedness among explanatory variables might compromise the precision and interpretative value of analytical estimates. Furthermore, tests for heteroscedasticity and autocorrelation were conducted to verify the constancy of residual variance and the independence of error terms. The classical assumption tests indicate that the data meet the normality criteria and are free from multicollinearity, heteroscedasticity, and autocorrelation, allowing the use of multiple linear regression to analyze the relationship between financial ratios and financial distress.

Following a comprehensive validation of the dataset's statistical prerequisites, researchers employed advanced regression techniques to examine how various financial indicators potentially correlate with a company's likelihood of experiencing economic hardship. This method helps identify which financial ratios are most significant in predicting financial distress and the extent to which each ratio contributes to a company's risk profile. Previous research by Iqbal et al. (2025) showed that ratios such as Return on Assets (ROA) and Debt to Asset Ratio (DER) significantly influence financial distress in the property and real estate sector in Indonesia, with the results revealing a significant impact of these ratios in mitigating the risk of financial distress in property and construction companies. This analysis focuses on five key financial ratios: profitability, liquidity, leverage, activity, and sales growth, which are frequently used in the literature as indicators of a company's financial health. These ratios were chosen because they are considered important predictors of a company's ability to withstand economic shocks and effectively manage financial obligations. Through statistical analysis, we aim to uncover the key financial indicators that significantly predict economic challenges within property development, real estate markets, and construction industries, ultimately equipping financial professionals and investment strategists with critical predictive intelligence for strategic planning.

The Effect of Profitability on Financial Distress

The regression results indicate that profitability, measured through Return on Assets (ROA), significantly affects financial distress. This outcome is in agreement with the findings of Christian & Kustanti (2022) which showed that profitability plays a crucial role in reducing the risk of financial distress in the property and real estate sector. Companies with a high ROA demonstrate a strong ability to generate profits from their assets, allowing them to more easily meet financial obligations. This reduces the likelihood of financial distress, especially in sectors that rely heavily on liquidity and debt management, such as property and real estate.

Furthermore, findings from research by Sukirno (2022) also support this finding, showing that ROA has a significant negative influence on financial distress. Companies with higher profitability are more likely to have sufficient financial reserves to survive amidst economic uncertainty. Sukirno emphasized that strong profitability allows companies to more stably manage cash flow and meet their short-term obligations. In this context, ROA is an important indicator for investors and managers to assess the potential for future financial distress.

Further, Thaha et al. (2023) also found that ROA significantly influences financial distress in property and real estate companies listed on the Indonesia Stock Exchange (IDX). This study underscores the importance of high profitability in reducing vulnerability to economic shocks and unexpected market changes. Companies with high ROA are better able to withstand financial stress and have a greater capacity to adapt to changing market conditions. Overall, these findings confirm that profitability is a key factor in mitigating the risk of financial distress in the property, real estate, and construction sectors.

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Table 1. Descriptive Statistics Results

Variable	N	Min	Max	Mean	Std Deviation
Profitability (ROA)	10	-.07	.09	.0259	.05024
Liquidity (CR)	10	.11	3.24	1.1527	.6458
Sales Growth (Growth)	10	.12	2.64	1.1023	.63700
Company Size (Size)	10	-.52	.85	.02512	.15635
Financial Distress	10	17.93	27.07	18.5268	1.0305

Source: The data was processed by researchers using SPSS 26

The Effect of Leverage on Financial Distress

The statistical investigation reveals that the company's borrowing intensity, quantified through the Debt-to-Equity Ratio, appears to have minimal predictive power regarding potential financial instability. Despite conventional financial wisdom suggesting that substantial debt loads typically increase an organization's susceptibility to economic challenges, the research findings for property and real estate sector firms do not substantiate this conventional hypothesis. Consistent with Syafella et al. (2022), leverage was found to have a positive effect on financial distress. Nevertheless, this study identified no significant association between DER and financial distress, possibly due to prudent debt management, efficient use of debt for financing, and the firms' ability to maintain an equilibrium between obligations and liquidity. Jati et al. (2023) also emphasize the importance of efficient debt management to prevent financial distress, even despite relatively high levels of leverage.

Research by Masruroh et al. (2025) also investigated how debt structures impact potential bankruptcy risks within Indonesian property and real estate sector corporations traded on the national securities market, spanning the contemporary five-year timeframe from 2019 to 2023. This study indicates that while property and real estate firms frequently employ debt for operational and expansion purposes, such financing does not inherently result in financial distress. The insignificance of the Debt-to-Equity Ratio (DER) suggests that profitability and sound financial management exert a stronger influence on financial stability than leverage levels. Therefore, even if a company has a relatively high level of debt, proper debt management can mitigate potential financial risks.

Masruroh et al. (2025) demonstrate that profitability moderates the relationship between leverage and financial distress by reducing the detrimental effects of excessive leverage. This implies that firms with strong profitability are more capable of sustaining debt levels and meeting financial commitments, thereby lowering the likelihood of financial distress. This finding provides important insight that even if a company has high levels of leverage, prudent debt management supported by sufficient profits can reduce the risk of bankruptcy. Therefore, although leverage does not have a significant direct effect on financial distress, good financial management strategies, including effective debt management and healthy profitability, can improve company stability and reduce the potential for financial distress.

The Influence of Activity on Financial Distress

When analyzing the efficiency of asset utilization through the Total Assets Turnover metric, the research indicates that this particular performance indicator does not demonstrate a meaningful correlation with the likelihood of financial instability within property and real estate industry organizations. The results of this study indicate that although high asset turnover is generally associated with greater efficiency in resource utilization to generate sales, in this context, it does not directly impact the company's financial condition. In other words, companies with a high activity ratio are not necessarily better able to avoid financial distress. This contradicts the theory that efficiency in asset utilization will reduce the risk of financial distress. This finding aligns with research by Oktaviano et al. (2024) which investigated the relationship between the activity ratio and corporate financial stability. In that study, although high asset turnover is expected to increase efficiency and reduce the potential for financial loss, the results indicated that external factors such as property market conditions and fluctuations in market demand have a greater impact on a company's financial stability. Therefore, although the activity ratio reflects how efficiently a company uses its assets to generate sales, it is insufficient to predict financial distress if these external factors are not supportive.

Furthermore, Arsana et al. (2024) in their research also emphasized that external and macroeconomic factors play a greater role in influencing a company's financial stability than the activity ratio itself. Fluctuating market conditions and unstable demand are often the main factors affecting a company's ability to remain financially viable. Therefore, even if companies are able to increase their asset turnover, this may not necessarily protect them from the risk of financial distress if the market does not support sustainable growth and sales. Awwaliyah et al. (2024) in their study entitled "Financial Metrics for Distress Prediction in Indonesia's Property and Real Estate Sector" revealed that in Indonesian property and real estate firms, the turnover of total assets demonstrates a statistically meaningful inverse relationship with the likelihood of experiencing financial instability. This study shows that companies with a high asset turnover ratio tend to be more efficient in managing resources and generating revenue, which in turn reduces the potential for financial distress. Optimal asset turnover reflects the efficient use of assets to generate greater sales, which can help companies survive amidst economic uncertainty. These findings reinforce the understanding that although the property and real estate sector is often exposed to market fluctuations, efficient asset management still plays a crucial role in mitigating the risk of financial distress.

Overall, the results of this study indicate that activity ratios, while important as indicators of operational efficiency, cannot be used solely to predict financial distress. Property and real estate companies need to consider various other factors with more direct impacts, such as market conditions and external risk management. Therefore, efficient asset management must be balanced with marketing strategies and financial management that are adaptive to market changes.

The Effect of Sales Growth on Financial Distress

As sales volume increases, the probability of a company facing monetary challenges diminishes substantially, with statistically validated outcomes. This suggests that robust revenue expansion serves as a protective mechanism against potential economic instability for businesses. These observations align with scholarly investigations previously undertaken by Sitanggang et al. (2021) which found that sales growth has a significant impact on financial distress. According to the research, higher revenue streams can enhance an organization's monetary flexibility and financial performance, ultimately enabling the business to better manage its fiscal responsibilities and mitigate potential economic vulnerabilities. Therefore, companies that are able to maintain or increase their sales have a greater ability to avoid financial distress.

Arief et al. (2024) also revealed that sales growth has a significant effect on financial distress in companies. The results of this study indicate that companies experiencing high sales growth tend to have better liquidity and are able to generate greater profits. Thus, positive sales growth serves as an indicator of financial stability, as it increases cash flow that can be used to meet the company's financial obligations. Research indicates that businesses demonstrating steady revenue increases have a reduced probability of encountering economic challenges.

Research by Arief et al. (2024) also highlighted that sales growth not only contributes to increased liquidity but also helps improve a company's profit profile. Increased sales provide a larger profit margin, which can be used to overcome potential financial constraints and strengthen the company's resilience to external risks. In this context, sales growth serves as a buffer, supporting companies to continue operating smoothly despite economic challenges or market uncertainty.

Overall, the study validates that increasing revenue streams serves as a critical mechanism for mitigating potential economic vulnerability. The insights derived are especially significant within property and real estate industries, where market dynamics can substantially influence an organization's fiscal stability. Companies that can maintain or increase their sales levels are more likely to survive challenging situations. Therefore, sales growth is a crucial element that can help companies reduce the risk of financial distress and increase their competitiveness in the market.

Practical Implications of the Research Findings

This study highlights that profitability plays a vital role in reducing financial distress among property, real estate, and construction firms. Enhancing operational efficiency and managing costs effectively can strengthen a company’s financial resilience, enabling it to meet obligations and navigate market volatility more effectively. Hence, maintaining profitability through sound management practices is a key strategy for ensuring long-term financial stability.

Research conducted by Akbar & Pratiwi (2024) revealed that effective profitability and liquidity management are key determinants of financial stability in property and real estate firms. The study demonstrates that firms that improve profitability through operational efficiency and disciplined cost control experience a significant reduction in financial distress risk. Companies that can increase their profitability have a greater capacity to meet financial obligations, both in the short and long term. High profitability also indicates that companies are able to manage resources more efficiently, allowing them to create the necessary financial reserves to face potential future crises. Thus, companies must maintain a focus on increasing profitability to create long-term financial stability.

Furthermore, sound liquidity management has proven crucial in maintaining a company's financial stability, particularly in the property and real estate sector, which is frequently affected by market fluctuations. Farooq et al. (2020) emphasize that despite showing strong potential to cover immediate financial commitments through impressive cash reserves, such businesses need to exercise more strategic oversight regarding their active financial resources. Waste in current assets, such as excess inventory or uncollectible receivables, can increase the risk of financial distress if not managed properly. Therefore, companies must ensure that current assets are managed efficiently and do not increase unnecessary costs. Efficient liquidity management is crucial to ensuring that companies are not only able to meet their financial obligations but also maintain their operational continuity in uncertain market conditions.

The research findings underscore the critical importance for real estate and property businesses to simultaneously monitor their financial performance and cash flow management as a fundamental approach to mitigating potential economic vulnerabilities. Good financial performance, demonstrated through high profitability and efficient liquidity management, will strengthen a company's resilience to economic shocks and market volatility. Facing uncertainties in the property market, companies that can increase sales and manage costs wisely will be more resilient than those less efficient in managing their assets and liquidity. Therefore, companies in this sector must strengthen their financial strategies by focusing on operational efficiency and better asset management to minimize financial risk.

CONCLUSION

Analytical findings reveal that monetary performance indicators play a crucial role in predicting potential economic vulnerabilities within property, real estate, and construction sectors traded on Indonesia's primary stock market between 2019 and 2023. The study demonstrates that organizational financial health, quantified through asset-based earnings efficiency and revenue expansion metrics, substantially mitigates the likelihood of experiencing fiscal challenges, suggesting that enterprises maintaining robust financial performance and consistent market growth are better equipped to navigate economic turbulence. Conversely, the analysis revealed that liquidity, leverage, and activity do not significantly affect financial distress. This finding implies that external elements, including market dynamics and managerial efficiency in managing debt and current assets, play a more substantial role in determining financial stability than internal financial ratios. The implication of this research is that companies in the property, real estate, and construction sectors should focus on increasing profitability and sales growth as the primary steps to reduce the risk of financial distress, as well as managing debt and liquidity carefully to maintain optimal financial health amidst the current economic conditions.

This study has several limitations that need to be considered. First, the analysis was only conducted on companies in the property, real estate, and construction sectors, so these findings may not be generalizable to other sectors. Second, this study focuses on financial ratios and does not consider macroeconomic variables or non-financial factors that may also affect financial distress conditions. Nevertheless, this study contributes to the literature by highlighting the dominant role of profitability and sales growth in reducing financial distress risk, as well as demonstrating that traditional measures such as liquidity and leverage are not always significant indicators in this sector. Future research is recommended to expand the analysis to other sectors, incorporate macroeconomic and qualitative variables, and use longer time periods to understand the dynamics of financial distress under various economic conditions.

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